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BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF WASHINGTON

In the Matter of

THE APPLICATION REGARDING  
THE CONVERSION AND  
ACQUISITION OF CONTROL OF  
PREMERA BLUE CROSS AND  
ITS AFFILIATES

No. G02-45

PRE-FILED RESPONSIVE  
TESTIMONY OF LICHIOU LEE

I, Lichiou Lee, do hereby declare that the following facts are personally known to me and, if called upon to do so, I would testify to them.

1. I am now, and at all times pertinent herein was, over the age of eighteen (18) years, and competent to testify in a court of law.

2. In her pre-filed direct testimony on page 8 at lines 15 to 20, Ms. Audrey L. Halvorson claims that the Office of Insurance Commissioner (OIC) has the authority to disapprove individual contract rates if the rates do not meet three specific criteria that she listed on page 8 at lines 16 to 19. This is contrary to RCW 48.44.017(2) and RCW 48.44.017(4). RCW 48.44.017(2) states that a health care service contract shall file, "for informational purposes only," a notice of its schedule of rates for its individual contracts with the OIC prior to use. RCW 48.44.017(4) states that "[t]he commissioner may not disapprove or otherwise impede the implementation of the filed rates."

3. For the individual contract rates, RCW 48.44.022 prescribes the community rated requirements. RCW 48.44.017(2) requires carriers to file the

1 informational rates prior to use. RCW 48.44.017(3) dictates the only four supporting  
2 documentation criteria the OIC may request in terms of individual rate filings. They  
3 are:

4 “(a) A description of the health care service contractor's rate-making  
5 methodology;

6 (b) An actuarially determined estimate of incurred claims which includes the  
7 experience data, assumptions, and justifications of the health care service  
8 contractor's projection;

9 (c) The percentage of premium attributable in aggregate for nonclaims expenses  
10 used to determine the adjusted community rates charged; and

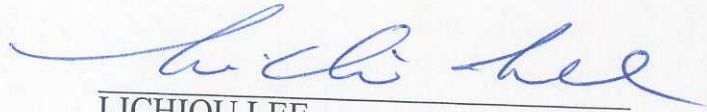
11 (d) A certification by a member of the American academy of actuaries, or other  
12 person approved by the commissioner, that the adjusted community rate charged  
13 can be reasonably expected to result in a loss ratio that meets or exceeds the loss  
14 ratio standard established in subsection (7) of [RCW 48.44.017].”

15 This loss ratio is 74% less applicable premium taxes.

16 4. If a carrier fails to comply with the community rated requirements, fails to  
17 file the informational rates prior to use, or fails to provide any supporting  
18 documentation listed in RCW 48.44.017(3) for its individual contract rates, the OIC  
19 may require compliance with the provisions of RCW 48.44.017 and 48.44.022 under its  
20 general enforcement authority. However, the OIC may not disapprove or otherwise  
21 impede the implementation of the filed (individual) rates. RCW 48.44.017(3). The  
22 carrier's ultimate compliance with RCW 48.44.022, 48.44.017(2) or 48.44.017(3) may  
23 not result in changes being made to its individual contract rates. The OIC has no  
24 authority to approve or disapprove the filed rates relating to individual contracts.

1 I declare under penalty of perjury under the laws of the State of Washington  
2 that the foregoing is true and correct.

3 Dated April 8, 2004 at Tumwater, Washington.  
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6 LICHIOU LEE  
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